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THE
BABCOCK & WILCOX
COMPANY

SIXTY-THIRD
ANNUAL REPORT

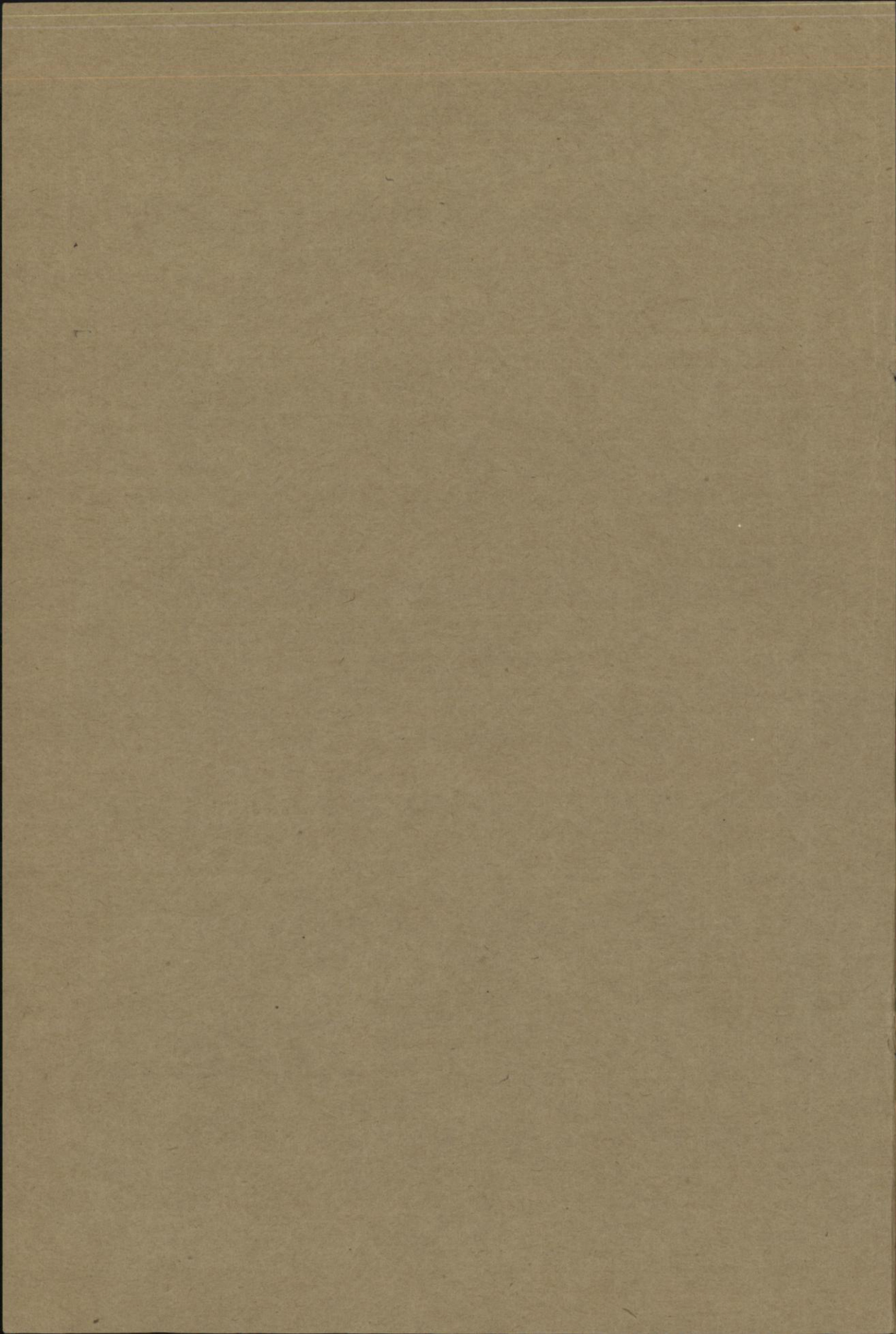
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FOR THE YEAR ENDED
DECEMBER 31, 1943



THE BABCOCK & WILCOX COMPANY

OFFICERS

A. G. PRATT	President
ISAAC HARTER	Vice President
E. G. BAILEY	Vice President
C. W. MIDDLETON	Vice President and Secretary
A. E. PHIN	Comptroller
WM. SHELDRIK	Treasurer and Asst. Secretary
W. G. DRYDEN	Assistant Comptroller
C. H. CLASH	Assistant Treasurer
F. H. HOLLOWAY	Assistant Secretary

DIRECTORS

E. G. BAILEY	A. G. PRATT
JOHN FOSTER DULLES	ROBERT C. STANLEY
ISAAC HARTER	B. A. TOMPKINS
C. W. MIDDLETON	JOHN C. TRAPHAGEN

General Offices 85 LIBERTY STREET, NEW YORK 6, N. Y.

Stock Transfer Agent . BANKERS TRUST CO., 16 WALL ST., NEW YORK 15

Registrar . . THE NEW YORK TRUST CO., 100 BROADWAY, NEW YORK 15

General Counsel SULLIVAN & CROMWELL

Auditors PRICE, WATERHOUSE & CO.

THE BABCOCK & WILCOX COMPANY

SIXTY-THIRD ANNUAL REPORT

NEW YORK, N. Y., September 7, 1944.

TO THE STOCKHOLDERS:

The Sixty-Third Annual Report of The Babcock & Wilcox Company covering operations for the year 1943 is submitted herewith. It has been withheld until the completion of renegotiation through December 31, 1943 of the Company's government contracts under the Renegotiation Act.

Consolidated net profit for the year 1943 amounted to \$3,066,809 or \$4.56 per share. This result is after renegotiation of government contracts and after provision for contingencies of \$1,500,000 for postwar adjustments and conversion to peace-time activities. The consolidated net profit reported for the year 1942 was \$3,104,799 or \$4.62 per share after provision for contingencies of \$1,500,000 in 1942.

Consolidated unfilled orders were \$118,765,000 at December 31, 1943, the greater portion of which is scheduled for shipment during 1944. Orders have been received in 1944 to date at a very much lower rate than that which prevailed throughout 1943.

During 1943 the Company's expenditures for property, plant and equipment totaled \$683,000 and additional expenditures of \$427,000 were authorized but not completed at December 31, 1943. In addition, to the end of 1943, the government had provided facilities to be operated by the Company at a cost of \$5,135,000 all of which were in use in that year. Included in these facilities was a new welded tube manufacturing plant at Alliance, Ohio, constructed at the request of the War Production Board and leased by the Company from Defense Plant Corporation.

Toward the latter part of 1942 The Babcock & Wilcox Tube Company commenced preliminary operation of a steel mill constructed by it at Beaver Falls, consisting of two electric furnaces, a forging hammer, rolling mill and auxiliary equipment, for the production of alloy steels and conversion of these and carbon steel blooms into tube rounds used in the manufacture of seamless tubes. This plant has proven very satisfactory and advantageous to the Company.

Your Company has followed the conservative practice of accelerated amortization of facilities provided by it for war production. As a result, amortization of practically all such facilities was completed June 30, 1944. However, the cost of the steel mill above referred to is being amortized over a five-year period.

All of the plants which were classed as idle in 1934 and then written down to estimated sales value have been sold. During 1943 the remainder of the Fullerton, Pennsylvania, plant and the major part of the one at

Bayonne, New Jersey, were sold. The rest of the Bayonne property and the idle plant located at East Liverpool, Ohio, have been sold in 1944. The Company is continuing operations in part of the Bayonne plant under leases from the new owners. Although most of the cost of these plants was written off in prior years, the transactions resulted in the establishment of substantial losses for tax purposes which favorably affected the 1943 profit and loss account.

Dividends aggregating \$1.50 per share were paid during the year. The balance of the earnings was retained to assist in financing the largest volume of business in the Company's history and to provide for postwar readjustments.

More research and developmental work was carried out than in previous years. A large part of it was done in connection with problems growing out of new and specialized requirements incident to the Company's war effort.

The Maritime Commission "M" awards at Barberton Works and the Army-Navy "E" awards at Barberton, Alliance and Augusta Works were all renewed at the expiration of the periods for which the awards were made. Additional renewals have been received in 1944.

The B&W 20-Year Service Club was organized by Barberton Works employees early in 1944. As of August 1st the Company had presented service buttons and pins to 978 employees throughout the organization with 20 years' service or more as follows: one over 50 years, 58 over 40 years, 188 over 30 years and 731 over 20 years. This service record is one of which both these employees and the Company may well be proud.

There are submitted herewith consolidated balance sheet as of December 31, 1943, and consolidated profit and loss and surplus accounts for the year 1943, of the parent company and its wholly owned subsidiaries, The Babcock & Wilcox Tube Company and National Drill & Manufacturing Company. The report of the auditors, Price, Waterhouse & Co., is attached. There are also submitted statements for the year 1942 for purposes of comparison.

More than 5,200 of the Company's employees had entered the various armed forces of their country by the end of August 1944.

Mr. William Woodward, a director of the Company since 1929, offered his resignation in June 1944, which was accepted with deep regret. Mr. John C. Traphagen was elected to fill the vacancy on the Board.

The Board records its appreciation of the fine effort and accomplishment of the men and women of the organization during the past year.

By Order of the Board of Directors

A. G. PRATT,

President.

THE BABCOCK & W
and Wholly Own

CONSOLIDATED I
DECEMBER

(With comparative figures)

ASSETS	December 31,
	1943 1942
CURRENT ASSETS:	
Cash in banks and on hand	\$ 6,964,172 \$ 4,580,906
U. S. Treasury notes at cost	13,500,000 13,805,080
Accounts and notes receivable (less reserve for doubtful accounts and notes — 1943, \$337,815; 1942, \$303,450)	25,622,327 20,595,373
Unbilled shipments and installations, at contract prices	3,841,005 4,089,915
Inventories of raw materials and supplies, work in progress and finished products	18,959,959 19,916,778
(at cost, less reserves for obsolescence and estimated costs of partial ship- ments of contract work in progress)	
Total	\$68,887,463 \$62,988,052
Less—Advance payments on contracts	2,777,100 3,264,994
Total current assets	\$66,110,363 \$59,723,058
INVESTMENTS:	
Stocks of subsidiary companies more than 50% owned but not wholly owned, at cost	\$ 2,182,711 \$ 2,256,711
Stocks and bonds of other companies, at cost	2,364,621 2,379,408
	\$ 4,547,332 \$ 4,636,119
Less—Reserve	943,440 943,440
	\$ 3,603,892 \$ 3,692,679
POST-WAR REFUND OF EXCESS PROFITS TAX (estimated)	\$ 2,420,000 \$ 1,320,000
EXPENDITURES UNDER EMERGENCY PLANT FACILITY CONTRACT, recoverable from U. S. Government	\$ 375,757 \$ 481,886
PROPERTY, PLANT AND EQUIPMENT (at cost, less reserve for depreciation and amortization)	\$ 6,750,023 \$ 8,604,286
PATENTS	\$ 1 \$ 1
DEFERRED CHARGES	\$ 144,780 \$ 145,320
	\$79,404,816 \$73,967,230

VILCOX COMPANY

and Subsidiaries

BALANCE SHEET

December 31, 1943

(as at December 31, 1942)

LIABILITIES AND CAPITAL	December 31,	
	1943	1942
CURRENT LIABILITIES:		
Accounts payable	\$ 5,929,032	\$ 6,291,979
Accrued liabilities	3,571,047	3,433,178
Provision for additional costs on contracts	2,500,000	2,399,066
Provision for Federal income and excess profits taxes and for payment resulting from renegotiation of United States Government contracts	32,314,374	29,761,336
Total current liabilities	<u>\$44,314,453</u>	<u>\$41,885,559</u>
 RESERVES FOR CONTINGENCIES	 \$ 4,291,537	 \$ 3,341,699
 CAPITAL STOCK AND SURPLUS:		
Capital stock without par value:		
Authorized — 1,000,000 shares		
Issued — 681,000 shares	\$17,600,000	\$17,600,000
Earned surplus, per attached statement	13,399,767	11,340,913
	<u>\$30,999,767</u>	<u>\$28,940,913</u>
Less—Capital stock held in treasury, at cost— 9,030 shares	200,941	200,941
	<u>\$30,798,826</u>	<u>\$28,739,972</u>
	 <u><u>\$79,404,816</u></u>	 <u><u>\$73,967,230</u></u>

THE BABCOCK & WILCOX COMPANY

and Wholly Owned Subsidiaries

CONSOLIDATED PROFIT AND LOSS AND SURPLUS ACCOUNTS

For the year ended December 31, 1943

(With comparative figures for the year 1942)

	<u>1943</u>	<u>1942</u>
Profit on operations, after selling, administrative and general expenses, including provision for doubtful accounts and notes and provision for payments resulting from renegotiation of government contracts, but before depreciation and amortization	\$17,233,938	\$18,809,335
Provision for depreciation and amortization	2,345,899	1,926,951
Net profit on operations	<u>\$14,888,039</u>	<u>\$16,882,384</u>
Other income:		
Income from investments, including dividends from subsidiary companies more than 50% owned but not wholly owned	\$ 482,206	\$ 498,676
Miscellaneous	564	3,719
	<u>\$ 482,770</u>	<u>\$ 502,395</u>
Profit before Federal income and excess profits taxes	\$15,370,809	\$17,384,779
Estimated Federal income and excess profits taxes (excess profits tax: 1943, \$9,914,000 after deducting post-war refund of \$1,100,000; 1942, \$11,890,000, after deducting post-war refund of \$1,320,000)	10,804,000	12,780,000
Net profit before the following provision	\$ 4,566,809	\$ 4,604,779
Provision for contingencies	1,500,000	1,500,000
Balance of net profit for the year, carried to surplus	\$ 3,066,809	\$ 3,104,779
Surplus at beginning of year	11,340,913	9,244,089
	<u>\$14,407,722</u>	<u>\$12,348,868</u>
Deduct—Cash dividends declared	1,007,955	1,007,955
Surplus at end of year, per balance sheet	<u><u>\$13,399,767</u></u>	<u><u>\$11,340,913</u></u>

The company has followed the policy of including in its results from operations an estimate of profits or losses on uncompleted contracts as the work progresses.

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

New York, September 6, 1944

To the Board of Directors of
THE BABCOCK & WILCOX COMPANY,

We have examined the consolidated balance sheet of The Babcock & Wilcox Company and its wholly owned subsidiaries as at December 31, 1943, and the related statement of profit and loss and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary. It was not practicable to confirm receivables from U. S. Government departments and agencies but we have satisfied ourselves by other means as to these items.

In our opinion, the accompanying consolidated balance sheet and the related statement of profit and loss and surplus present fairly the position of The Babcock & Wilcox Company and its wholly owned subsidiary companies as at December 31, 1943 and the results of their operations for the year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & Co.

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